

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1426 – SB 1446

February 13, 2016

SUMMARY OF ORIGINAL BILL: Adds language to the definition of “public works project,” for the purpose of the Local Government Public Obligations Act of 1986, which effectively authorizes Davidson County to issue bonds to finance construction of affordable housing or workforce housing, or to fund expenses related to a housing trust fund.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures – Exceeds \$147,100/Permissive

SUMMARY OF AMENDMENT (012396): Adds language to the bill that specifies that only local governments in which affordable or workforce housing is located are to be authorized to issue debt or borrow money to finance such projects. Requires local governments to comply with Article II, § 29 of the Constitution of Tennessee; specifically, in no event, shall the credit of any county, city or town be given to, or loaned to, or in aid of any person, company, association or corporation except upon an election to be first held by the qualified voters of such county, city or town where three-fourths of the voters elect to approve such action. Adds the word “capital” to clarify that references to expenditures are capital expenditures.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This bill is only applicable to Davidson County; therefore, no fiscal impact to state government.
- The bill does not require Davidson County to issue any type of bonds; therefore, any fiscal impact to Davidson County is considered permissive.
- The fiscal impact of this bill to Davidson County is dependent upon several unknown factors such as (1) the number of projects financed with bonds underwritten as a result of

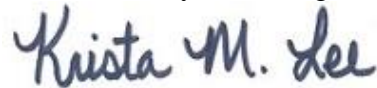
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this bill's authorization, (2) the extent of any construction costs related to any project which would be financed with such bonds, (3) the terms of the bonds issued, (4) the interest rate for any bonds issued, and (5) the timing for which any bonds are underwritten and issued.

- Davidson County issues bonds attributable to the authorization provided for in this bill to an extent that there is at least one outstanding bond for which debt is being serviced in any given fiscal year beginning in FY16-17 with a minimum principal of \$2,000,000, a minimum term of 20 years, and a minimum interest rate of four percent.
- Utilizing time value of money calculations, the annual debt service for any such bond (principal plus interest) would be approximately \$147,164 per year. Therefore, the permissive and recurring increase in local expenditures to Davidson County is estimated to exceed \$147,100.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj